

WHATCOM COMMUNITY FOUNDATION

Consolidated Financial Statements

For the Year Ended June 30, 2025

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Independent Auditor's Report

**To the Board of Directors and Audit Committee
Whatcom Community Foundation
Bellingham, Washington**

Opinion

We have audited the accompanying consolidated financial statements of Whatcom Community Foundation and affiliates (collectively, the Community Foundation), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Community Foundation as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited the Community Foundation's June 30, 2024, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Clark Nuber PS

Certified Public Accountants
October 10, 2025

WHATCOM COMMUNITY FOUNDATION

Consolidated Statement of Financial Position

June 30, 2025

(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 7,806,815	\$ 5,312,504
Restricted cash		65,000
Accounts receivable	255,008	398,250
Notes receivable	1,204,300	1,110,888
Refundable advance	700,000	
Prepaid expenses and other assets	708,409	274,653
Investments	76,928,813	64,860,001
Restricted investments	2,153,327	1,838,913
Beneficial interest in charitable lead annuity trust		2,393,153
Right-of-use asset - operating lease	56,526	5,188
Property and equipment, net of depreciation	<u>10,508,832</u>	<u>10,519,304</u>
Total Assets	<u>\$100,322,030</u>	<u>\$ 86,777,854</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 233,016	\$ 444,364
Grant and scholarship awards payable	445,308	618,347
Guarantee liability	157,365	157,365
Lease liability - operating	57,003	5,306
Funds held for others	<u>4,852,224</u>	<u>4,457,189</u>
Total Liabilities	5,744,916	5,682,571
Net Assets:		
Without donor restrictions-		
Operating	80,332,284	64,765,396
Board-designated	<u>3,493,135</u>	<u>3,207,500</u>
Total without donor restrictions	83,825,419	67,972,896
With donor restrictions	<u>10,751,695</u>	<u>13,122,387</u>
Total Net Assets	<u>94,577,114</u>	<u>81,095,283</u>
Total Liabilities and Net Assets	<u>\$100,322,030</u>	<u>\$ 86,777,854</u>

See accompanying notes.

WHATCOM COMMUNITY FOUNDATION

Consolidated Statement of Activities For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Operating Revenue and Support:				
Contributions	\$ 15,519,381	\$ -	\$ 15,519,381	\$ 8,125,382
In-kind contributions	10,875		10,875	10,557
Program income		741,545	741,545	757,035
Lease income		290,945	290,945	278,270
Total Operating Revenue and Support	15,530,256	1,032,490	16,562,746	9,171,244
Net Assets Released From Restrictions	3,453,639	(3,453,639)		
Total Revenue and Net Assets Releases	18,983,895	(2,421,149)	16,562,746	9,171,244
Operating Expenses:				
Program	10,438,698		10,438,698	7,733,863
Management and general	984,540		984,540	926,780
Fundraising	147,380		147,380	161,798
Total Operating Expenses	11,570,618		11,570,618	8,822,441
Nonoperating Gains and Losses:				
Investment return	8,372,512	5,414	8,377,926	7,660,302
Other income (loss)	66,734		66,734	(16,290)
Change in value of beneficial interest in trust		45,043	45,043	78,632
Total Nonoperating Gains and Losses	8,439,246	50,457	8,489,703	7,722,644
Change in Net Assets	15,852,523	(2,370,692)	13,481,831	8,071,447
Net assets, beginning of year	67,972,896	13,122,387	81,095,283	73,023,836
Net Assets, End of Year	\$ 83,825,419	\$ 10,751,695	\$ 94,577,114	\$ 81,095,283

See accompanying notes.

WHATCOM COMMUNITY FOUNDATION

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

	Program	Management and General	Fundraising	2025 Total	2024 Total
Awards granted	\$ 7,635,341	\$ -	\$ -	\$ 7,635,341	\$ 5,866,904
Salaries, benefits, and taxes	895,067	705,832	99,438	1,700,337	1,423,966
Consultants	1,638,423	96,311	4,325	1,739,059	1,034,099
Professional services	4,537	64,733	504	69,774	70,684
Development and communications	14,169		33,060	47,229	32,385
Property taxes and equipment maintenance	12,276	20,759	1,364	34,399	85,834
Depreciation	5,513	4,347	612	10,472	17,011
Other	233,372	92,558	8,077	334,007	291,558
Total Expenses	\$ 10,438,698	\$ 984,540	\$ 147,380	\$ 11,570,618	\$ 8,822,441
2024 Total Expenses	\$ 7,733,863	\$ 926,780	\$ 161,798		\$ 8,822,441

See accompanying notes.

WHATCOM COMMUNITY FOUNDATION

Consolidated Statement of Cash Flows For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

	2025	2024
Cash Flows From Operating Activities:		
Change in net assets	\$ 13,481,831	\$ 8,071,447
Adjustments to reconcile changes in net assets to net cash provided by operating activities-		
Depreciation	10,472	17,011
Realized and unrealized gain on investments	(6,346,090)	(5,876,499)
Interest accrued on notes receivable	(2,498)	(25,435)
Change in present value discount of beneficial interest in trust		78,632
Changes in operating assets and liabilities:		
Accounts receivable	143,242	262,462
Refundable advance	(700,000)	
Prepaid expenses and other assets	(433,756)	(274,653)
Beneficial interest in charitable lead annuity trust	2,393,153	1,860,743
Accounts payable and accrued expenses	(211,348)	(270,050)
Grant and scholarship awards payable	(173,039)	(50,320)
Operating lease liability, net of right-of-use asset	359	(125)
Funds held for others	395,035	457,944
Net Cash Provided by Operating Activities	8,557,361	4,251,157
Cash Flows From Investing Activities:		
Repayment of notes receivable	1,079,086	281,547
Distributions of notes receivable	(1,170,000)	(1,117,000)
Proceeds from sale of investments	3,935,324	11,730,131
Purchase of investments	(9,972,460)	(13,008,406)
Purchases of property and equipment		(4,182)
Net Cash Used in Investing Activities	(6,128,050)	(2,117,910)
Net Change in Cash, Cash Equivalents, and Restricted Cash	2,429,311	2,133,247
Cash, cash equivalents, and restricted cash, beginning of year	5,377,504	3,244,257
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 7,806,815	\$ 5,377,504
Cash Consists of the Following at June 30:		
Cash and cash equivalents	\$ 7,806,815	\$ 5,312,504
Restricted cash		65,000
Total Cash	\$ 7,806,815	\$ 5,377,504

See accompanying notes.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 1 - Organization

Whatcom Community Foundation is a nonprofit corporation incorporated in the State of Washington in 1996 to strengthen and enhance communities of Whatcom County, Washington so that everyone who lives there thrives. With the generous support of individuals, businesses, and other funders, Whatcom Community Foundation grants to a wide range of organizations with innovative community building programs in economic and community development, food and agriculture, education, arts and culture, health and wellness, affordable and workforce housing, nonprofit capacity building, disaster preparedness, relief and recovery, and the environment. Whatcom Community Foundation's mission is to cultivate neighborliness, lift community voices, and invest in equity and hope.

Whatcom Community Foundation is active in impact investing, putting financial assets to work beyond grantmaking (e.g., loan guarantees, equity investments, etc.) in alignment with its vision and mission. Priority investment areas include affordable and workforce housing, strengthening the local food system and expanding economic opportunity through small businesses, particularly businesses owned by Black, Indigenous and people of color and people in rural communities of Whatcom County. Whatcom Community Foundation has significant investments in the form of loans and loan guarantees in multiple permanently affordable housing developments and is in the final design and development stage of the Millworks project, a mixed-use, brownfield redevelopment project in a federally qualified Opportunity Zone that will include impact investing and other philanthropic opportunities.

Whatcom Community Foundation's Strengthening Nonprofits program includes hosting and/or supporting various avenues for peer engagement, learning, coaching, technical assistance, training, collaboration, and information sharing. The organization's Birth to Bright Futures program includes an evolving Child Savings Account (CSA) program, the Youth Philanthropy Project, and investment in exploration of a proven model for youth substance use delay and reduction, as well as scholarships. This suite of work is part of supporting children and families across the lifespan, seeking pivotal opportunities along the continuum to improve outcomes for more Whatcomtonians.

In Fall 2024, Whatcom Community Foundation launched the Washington Center for Employee Ownership, a new statewide entity under the umbrella of Whatcom Community Foundation, that promotes and facilitates the creation and conversion of more employee-owned enterprises across Washington State. There is significant research regarding the positive, multi-level impacts of employee-owned businesses: higher compensation and retirement assets for employee-owners, higher productivity, reduced likelihood of layoffs following an economic shock, greater civic engagement, and significant tax benefits for sellers and businesses with some forms of employee ownership. This initiative along with Whatcom Community Foundation's Child Savings Account program and impact investing work are designed to improve economic security and upward mobility for the people of Whatcom County.

Supporting Organization - On November 19, 2019, Lakeland Foundation (Lakeland) became a type 1 supporting organization of Whatcom Community Foundation. Lakeland Foundation was created with a donor-restricted asset, which generates lease income. All income generated from the donor-restricted asset is recorded as with donor restrictions. Lakeland's purpose is to support the Jansen Art Center, and other local charitable causes.

Lakeland and Whatcom Community Foundation have entered into a management agreement, effective January 1, 2020, where the Community Foundation has agreed to provide services which include: grantmaking, financial management, administrative services, and Board of Directors' support.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 1 - Continued

Fiscal Sponsorships - Whatcom Community Foundation is the fiscal sponsor of three organizations. The sponsored organizations are considered programs of Whatcom Community Foundation, and contributions received for the sponsored organizations are recognized as donor-restricted contributions in the consolidated statement of activities.

The Millworks LLC - The consolidated financial statements include The Millworks LLC (the LLC), a limited liability company formed in the State of Washington in April 2019, wholly owned by Whatcom Community Foundation. Whatcom Community Foundation formed the LLC and signed a memorandum of understanding in January 2021 with Mercy Housing Northwest with the intent to develop an affordable family housing development at the Port of Bellingham's Waterfront District Development Site, a strategic partner of the Community Foundation (Note 3).

Principles of Consolidation - These consolidated financial statements include the accounts of the Community Foundation, Lakeland, and the LLC (collectively, the Community Foundation). Inter-organization transactions and balances have been eliminated in consolidation.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The accompanying consolidated financial statements were prepared using the accrual basis of accounting.

Financial Statement Presentation - The Community Foundation's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). These principles require the Community Foundation to present its net assets, revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. The Community Foundation has presented an unclassified consolidated statement of financial position, which sequences assets according to their nearness of conversion to cash and sequences liabilities according to the nearness of their maturity and resulting use of cash.

Nonoperating Activities - The Community Foundation considers return on investments, other income/losses, and the change in value of beneficial interest in trust to be nonoperating activities.

Cash and Cash Equivalents - Cash includes cash in a bank. Cash equivalents consist of money market funds totaling \$7,294,440 and \$4,945,647 as of June 30, 2025 and 2024, respectively.

Restricted Cash and Investments - The Community Foundation guarantees debt for two entities at June 30, 2025 and 2024, in Whatcom County. Restricted cash and investments are collateral for these guarantees (Note 8).

Receivables - Trade accounts receivable are stated at the amount the Community Foundation expects to collect. The Community Foundation has determined that based upon historical credit loss rates adjusted for current economic conditions that an allowance for credit losses would not be material. As such, the Community Foundation has not recorded an allowance for credit losses at June 30, 2025 and 2024. All receivables are expected to be collected within one year.

Refundable Advance - When the Community Foundation makes a recoverable grant, the amount distributed is recorded as a refundable advance until either repaid by the grantee or when the conditions of the recoverable grant are met and grant expense is recorded on the consolidated statement of activities.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

Note 2 - Continued

Beneficial Interest in Charitable Lead Annuity Trust - The Community Foundation was a beneficiary of a charitable lead annuity trust. The beneficial interest was recorded at the net present value of expected future payments to be received on the consolidated statement of financial position. The trust terminated during the year ended June 30, 2025, at which time the remaining trust assets were distributed in accordance with the trust agreement.

Investments - Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. Investments in securities traded on organized securities exchanges are valued at the closing price on the last business day of the fiscal year; securities traded on over-the-counter markets are valued at the last reported bid price. Securities are generally held in custodial investment accounts administered by certain financial institutions. Certificates of deposit held at banks are reported at original cost plus accrued interest. Private equity investments generally do not have readily determinable fair values and are recorded at cost less impairment, plus or minus changes in fair value as a result of observable price changes that occur in orderly transactions for identical or similar investments of the same issuer.

Investments are made according to the Investment Policy adopted by the Community Foundation's Board of Directors. These guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate benchmarks and indices.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably probable that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Property and Equipment Capitalization and Depreciation - The Community Foundation capitalizes assets with a cost greater than \$2,500 and an estimated useful life of more than one year. Purchased property and equipment are recorded at cost and donated property and equipment are recorded at fair value on the date received.

Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the related assets or, for leasehold improvements, over the term of the lease as follows:

Furniture	7 years
Office equipment	5 years
Leasehold improvements	Lesser of lease term or 10 years

Funds Held for Others - In accordance with U.S. GAAP, when a not-for-profit organization, such as a foundation, accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor, the foundation must account for the transfer of such assets as if it is holding the funds as an agent of the donor. These funds, identified as funds held for others, are included in the Community Foundation's assets with an offsetting liability on the consolidated statement of financial position. The liability is valued at the fair value of the agency funds, estimated by the Community Foundation. Activities related to the agency funds do not affect the change in net assets of the Community Foundation (Note 10).

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 2 - Continued

Net Assets - The Community Foundation presents its net assets, revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Community Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Net assets with donor restrictions include the charitable lead annuity trust, Lakeland, and the net assets of fiscal sponsorships.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Community Foundation's Fund Agreements grant the Community Foundation's Board of Directors variance power over assets received, which allows the Board of Directors to modify any such restriction or condition if they become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Consequently, all contributions are classified as net assets without donor restrictions if they are made under these Fund Agreements or are available to the Community Foundation with no restriction as to when or which purpose the funds are available for expenditure.

Contribution and Grant Revenue - Contributions and grants are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on discounted cash flows. Contributions of assets other than cash are recorded at their estimated fair value on the date received.

Conditional promises to give are recognized as revenue when the donor-imposed conditions upon which they depend have been met. Conditional grants for which conditions had not yet been met totaled \$156,845 and \$885,642 at June 30, 2025 and 2024, respectively. Revenue will be recognized in future periods as donor-imposed conditions are met. Conditional grants at June 30, 2024 include \$728,796 for 2025 for providing youth outdoor learning experiences in the Blaine, Mount Baker, and Nooksack Valley school districts and providing funding and resources to the local hunger relief organizations. There is additionally a planning grant of \$156,845 to design and develop the operations and capacity model for a farm-to-freezer program at June 30, 2025 and 2024.

In-Kind Contributions - The Community Foundation receives donations of land from time to time. Such gifts are recorded as donated land and revenue at the time received and a reduction of land when sold. Land is valued based on the fair market value of the property at the time of the donation. The Community Foundation received no donations of land during the years ended June 30, 2025 or 2024. The remaining in-kind contributions include donations of use of space, which is used in the Community Foundation's operations.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 2 - Continued

Program Income - Program income consists of revenue that is earned when qualifying expenses are incurred.

Grants and Scholarship Payable and Expenses - All scholarships and most grants are approved at the staff level, as authorized by the Board of Directors. Conditional grants and scholarships are recognized only when the conditions on which they depend are met and the grant or scholarship award becomes unconditional. There were no conditional grants outstanding at June 30, 2025 or 2024 other than those recorded as refundable advances on the consolidated statement of financial position.

Conditional scholarships for which payment is conditional upon student enrollment amounted to \$78,533 and \$110,149 as of June 30, 2025 and 2024, respectively. These scholarships will be recognized as a liability upon student enrollment.

Leases - The Community Foundation determines if an arrangement contains a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Community Foundation's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Community Foundation's leases do not provide an implicit rate of return; thus, the Community Foundation uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs and excludes lease incentives. The Community Foundation has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Community Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less.

Concentration of Market and Credit Risk - The Community Foundation maintains cash balances at several financial institutions, focusing on those that are local or regional, and/or aligned with the Community Foundation's mission. On occasion, the Community Foundation may have cash balances at a financial institution in excess of federally insured limits.

For the year ended June 30, 2025, 40% of contribution revenue was from one donor. For the year ended June 30, 2024, 36% of contribution revenue was from one donor.

Income Taxes - Whatcom Community Foundation and its supporting organization qualify as tax-exempt organizations, under Section 501(c)(3) of the Internal Revenue Code (the Code), and are not subject to federal or state income taxes, except on unrelated business income. In addition, the Community Foundation and its supporting organization qualify for the charitable contribution deduction under Section 170(b)(a)(A) of the Code and have been classified as organizations that are not private foundations as defined in Section 509(a) of the Code. The Community Foundation is subject to federal income tax only on "unrelated business taxable income" as defined in Section 512 of the Code. Unrelated business income tax, if any, is immaterial and no tax provision has been made in the accompanying consolidated financial statements. The Millworks LLC is wholly owned by the Community Foundation and is a disregarded entity for tax purposes.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 2 - Continued

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from the estimated amounts.

Functional Allocation of Expenses - Functional expenses are those expenses incurred by the Community Foundation in the accomplishment of its stated mission. They can further be categorized as follows:

Program Services - Including grants awarded, impact investments, service to other nonprofits, philanthropic leadership, and civic leadership;

Fundraising - Including establishing and maintaining relationships with donors; and

Management and General - Including expenses that benefit the Community Foundation as an entity and the management and accounting for funds.

The cost of providing the various programs and supporting services has been summarized on a functional basis in the consolidated statement of activities and statement of functional expenses. These statements include expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries, benefits, and taxes, equipment maintenance, depreciation, and other expenses are allocated on the basis of estimates of time and effort.

Financial Statement Reclassifications - Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances as previously reported.

Prior-Year Comparative Information - These consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Community Foundation's consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Note 3 - The Millworks LLC

As described in Note 1, the LLC is wholly owned by Whatcom Community Foundation. As an LLC, the liability of the member is generally limited to amounts invested. The LLC was formed for the purpose of serving as the development entity for a new mixed-use demonstration project that will include a local food campus, workforce housing, an early learning center and community partner meeting rooms and office space. The LLC currently has an option agreement with the Port of Bellingham (the Port) for the remaining portion of a three-acre parcel on the Bellingham, Washington waterfront where the project is being developed in conjunction with Mercy Housing Northwest. The LLC is the entity that will ultimately own part of the site and any relevant agreements for its development. There was no activity for the LLC for the years ended June 30, 2025 or 2024, as all costs associated with the project were paid for by Whatcom Community Foundation. Mercy Housing Northwest began construction on Phase 1, 83 permanently affordable rental units and a six-classroom early learning and childcare center, in early 2023. Occupancy of the building was achieved in March of 2024. Planning and design for Phase 2 continues, including the local food campus and other elements. Phase 2 is anticipated to begin construction in 2026 with occupancy before the end of 2028.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 4 - Investments and Fair Value Measurements

Fair Value Measurements - Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1 - Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 - Unobservable inputs where there is little or no market data, which require the Community Foundation to develop its own assumptions.

An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Community Foundation considers observable data to be market data that is readily available, regularly distributed or updated, reliable, and verifiable, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment only and should not be considered analogous to risk.

Investments are valued as follows:

Mutual Funds, Treasury Bills - Valued at the closing price reported on the active market on which the securities are traded.

Money Market Funds - Valued at cost plus accrued interest, which approximates fair value.

Private Equity - Valued at NAV per share, or its equivalent, as a practical expedient, as reported by the investment manager unless specific evidence indicates the NAV should be adjusted.

There were no changes in the valuation methodologies used by the Community Foundation for the years ended June 30, 2025 or 2024.

Investments are recorded as follows on the consolidated statement of financial position at June 30:

	<u>2025</u>	<u>2024</u>
Investments	\$ 76,928,813	\$ 64,860,001
Restricted investments	<u>2,153,327</u>	<u>1,838,913</u>
Total Investments	<u>\$ 79,082,140</u>	<u>\$ 66,698,914</u>

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 4 - Continued

Investment return consists of the following at June 30:

	2025	2024
Interest and dividends	\$ 2,031,836	\$ 1,783,803
Realized and unrealized gain on investments	6,346,090	5,876,499
Total Investment Return	\$ 8,377,926	\$ 7,660,302

Fair values of the Community Foundation's investments measured on a recurring basis were as follows at June 30:

	2025			
	Level 1	Level 2	Level 3	Total
Investments at Fair Value:				
Mutual funds	\$ 72,655,489	\$ -	\$ -	\$ 72,655,489
Treasury bills	496,940			496,940
Money market funds	4,028,285			4,028,285
Total Investments at Fair Value	\$ 77,180,714	\$ -	\$ -	77,180,714
Investment at Net Asset Value:				
Private equity				140,000
Investments at cost-				
Certificates of deposit				1,761,426
Total Investments				\$ 79,082,140

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 4 - Continued

	2024			
	Level 1	Level 2	Level 3	Total
Investments at Fair Value:				
Mutual funds	\$ 59,270,858	\$ -	\$ -	\$ 59,270,858
Money market funds	5,589,141			5,589,141
Total Investments at Fair Value	\$ 64,859,999	\$ -	\$ -	64,859,999
Investment at Net Asset Value:				
Private equity				140,000
Investments at cost- Certificates of deposit				1,698,915
Total Investments				\$ 66,698,914

Note 5 - Notes Receivable

Whatcom Community Foundation has made loans, loan guarantees, and equity investments for community social impact purposes.

Loans are generally due over a period of one to seven years with stated annual interest rates of 0% to 5%. The loans are recorded at net present value, and imputed interest is recognized over the time of the loans calculated using the simple-interest method on the outstanding principal balances.

Outstanding balances totaled the following at June 30:

	2025	2024
Loans maturing within one year	\$ 1,167,257	\$ 67,000
Loans maturing within two to five years	37,043	1,000,000
Loans maturing over five years		43,888
	\$ 1,204,300	\$ 1,110,888

Management determined an allowance for uncollectible loans was not considered necessary at June 30, 2025 and 2024.

Loan guarantees have been reviewed by management for risk of loss. Management determined that the risk of loss is low and has therefore not booked a corresponding liability.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 6 - Beneficial Interest in Charitable Lead Annuity Trust

During the year ended June 30, 2015, the Community Foundation became a beneficiary of a Charitable Lead Annuity Trust (CLAT) from which the Community Foundation was to receive annual payments of \$2,018,007 beginning on December 31, 2015, through March 17, 2025. The Community Foundation's beneficial interest was recorded at the net present value (discounted at 1.8%) of the future distributions of \$2,393,153 at June 30, 2024, and was included on the consolidated statement of financial position. The trust terminated during the year ended June 30, 2025, at which time the remaining trust assets were distributed in accordance with the trust agreement.

Note 7 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2025	2024
Land	\$ 10,500,000	\$ 10,500,000
Furniture	10,381	13,821
Office equipment	24,866	24,866
Leasehold improvements	112,661	112,661
	10,647,908	10,651,348
Less accumulated depreciation	(139,076)	(132,044)
Property and Equipment, Net	<u>\$ 10,508,832</u>	<u>\$ 10,519,304</u>

Note 8 - Loan Guarantees

At June 30, 2024, the Community Foundation pledged \$65,000 at a bank to guarantee a loan to a small Whatcom County business under its Community Mission Investment Initiative. The pledged amount is reported as restricted cash on the consolidated statement of financial position. In accordance with U.S. GAAP, a liability for the fair value of the guarantee is required at inception; however, management determined the value to be immaterial, and no liability was recorded. No such guarantees were outstanding at June 30, 2025 as the loan was paid in full during the year.

At June 30, 2025, the Community Foundation pledged \$250,000 at a bank to guarantee individual loans under a joint microfinance program with Western Washington University's Small Business Development Center. One loan of \$40,000 was outstanding. The pledged amount is reported as restricted investments. In accordance with U.S. GAAP, a liability for the fair value of the guarantee is required at inception. However, management determined the value to be immaterial, and no liability was recorded. No such guarantees were outstanding at June 30, 2024.

At June 30, 2025 and 2024, the Community Foundation pledged \$1,761,426 and \$1,698,913, respectively, in investments as collateral to guarantee a line of credit for a Whatcom County LLC supporting a housing development initiative. These amounts are reported as restricted investments and are pledged through January 2026.

The Community Foundation evaluates guarantees quarterly for impairment; no adjustment was required at June 30, 2025 or 2024.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 9 - Grant and Scholarship Awards Payable

Included in grant and scholarship awards payable are the following unconditional grants payable at June 30:

	<u>2025</u>	<u>2024</u>
Amounts due in-		
Less than one year	\$ 399,808	\$ 549,972
Two to five years	38,000	53,375
Thereafter	<u>7,500</u>	<u>15,000</u>
Total Grant and Scholarship Awards Payable	<u>\$ 445,308</u>	<u>\$ 618,347</u>

The discount for present value was immaterial at June 30, 2025 and 2024.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 10 - Funds Held for Others

Funds held for others (agency funds) as of June 30, 2025 and 2024, consist of the following:

	2025	2024
Mount Baker Theatre Endowment Fund	\$ 1,930,489	\$ 1,798,293
Pioneer Meadows Montessori School Endowment	1,098,960	1,028,825
Whatcom County Library Foundation Endowment Fund	478,817	400,825
Bellingham Public Schools Foundation Agency Endowment	273,723	256,386
Nooksack Salmon Enhancement Endowment	186,788	175,391
Ferndale Band Boosters Endowment Fund	178,027	167,165
Lydia Place Endowment Fund	95,720	89,880
Explorations Academy Endowment	65,375	59,923
Bellingham Symphony Endowment Fund	52,577	49,369
Master Gardener Foundation of Whatcom County Endowment	52,221	49,026
Whatcom Humane Society Endowment Fund	40,970	36,325
Bellingham Chamber Chorale Endowment for Choral Arts	35,993	33,778
Bellingham Festival of Music Endowment Fund	35,083	32,834
Law Advocates Agency Endowment Fund	30,029	28,194
Bruce Wolf Endowment Fund	27,097	25,444
Whatcom Literacy Council Endowment	24,138	22,613
Brigid Collins Endowment Fund	22,140	19,037
Northwest Youth Services Endowment Fund	18,215	17,103
Agape Home for Women and Children Endowment Fund	17,391	16,330
Lighthouse Mission Endowment Fund	16,779	15,755
Compass Health Endowment	15,793	14,829
Eric Braun Memorial Endowment for Cedar Tree Montessori	14,748	13,848
Bellingham Parks and Recreation Endowment	11,847	11,112
Whatcom Land Trust Endowment	9,049	8,497
Ferndale Double Dome Fund	7,488	6,767
Bellingham Festival of Music Education and Outreach Endowment	2,677	2,513
Whatcom County Library Foundation Endowment Fund for-		
Blaine Library	3,588	2,382
Deming Library	4,249	3,800
Everson Library	1,974	1,743
Ferndale Library	49,042	43,104
Island Library	3,357	3,011
Lynden Library	13,672	2,677
North Fork Library	1,943	1,742
Point Roberts Library	26,669	13,947
South Whatcom Library	2,932	2,332
Sumas Library	2,664	2,389
	<u>\$ 4,852,224</u>	<u>\$ 4,457,189</u>

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 11 - Net Assets Without Donor Restrictions

Net assets without donor restrictions consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Operating net assets-		
Administrative	\$ 2,255,412	\$ 603,096
Designated	912,266	604,525
Donor advised	13,298,625	3,351,704
Field of interest	2,402,165	2,466,148
Mission investments	463,603	518,084
Scholarship	550,634	538,218
WCF grantmaking	282,390	190,836
Sustainable Whatcom funds	165,013	202,993
Project	1,045,961	863,404
Donor-established endowment funds	<u>58,956,215</u>	<u>55,426,388</u>
	80,332,284	64,765,396
Board-designated net assets-		
Quasi-endowments	3,067,283	2,796,343
Operating reserve	<u>425,852</u>	<u>411,157</u>
	<u>3,493,135</u>	<u>3,207,500</u>
Total Net Assets Without Donor Restrictions	<u>\$ 83,825,419</u>	<u>\$ 67,972,896</u>

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for future periods or for specific programs. They consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Subject to the passage of time-		
Beneficial interest in charitable lead annuity trust	\$ -	\$ 2,393,153
Subject to expenditure for specific purpose-		
Programs and fiscal sponsorships	90,895	95,554
Lakeland Foundation	<u>10,660,800</u>	<u>10,633,680</u>
Total Net Assets With Donor Restrictions	<u>\$ 10,751,695</u>	<u>\$ 13,122,387</u>

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 13 - Endowments

The Community Foundation's endowment consists of approximately 126 funds established for a variety of purposes. Its endowment includes donor-established endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments).

As discussed in Note 2, due to the variance power the Community Foundation has over donated funds, all endowments are classified for accounting purposes as "funds without donor restrictions" and managed in accordance with the donors' intent at the discretion of the Board of Directors.

The Community Foundation's endowment consists of numerous funds established for a variety of purposes.

Donor-Established Endowment Funds - Funds established by donors with the intent of maintaining the original donations (corpus) in perpetuity by utilizing established spending policies.

Board-Designated Quasi-Endowment Funds - Funds without donor restrictions designated by the Board with the intent of maintaining the corpus in perpetuity by utilizing established spending policies.

The Community Foundation follows the principles outlined in the Washington State Prudent Management of Institutional Funds Act (PMIFA) for all of its donor-established and board-designated funds even though they are legally funds without donor restrictions.

In accordance with PMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-established endowment funds:

- The duration and preservation of the fund;
- The purposes of the Community Foundation and the endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Community Foundation; and
- The investment policies of the Community Foundation.

Endowment net assets are as follows as of and for the years ended June 30:

	Board- Designated Quasi- Endowments	Donor-Established Endowments			2025 Total	2024 Total
		Accumulated Earnings	Endowment Corpus	Total Donor- Established Endowments		
Donor-established endowment funds	\$ -	\$ 13,008,136	\$ 45,948,079	\$ 58,956,215	\$ 58,956,215	\$ 55,426,388
Board-designated quasi- endowment funds	3,067,283				3,067,283	2,796,343
Endowment Net Assets	\$ 3,067,283	\$13,008,136	\$45,948,079	\$58,956,215	\$62,023,498	\$58,222,731

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 13 - Continued

Changes to endowment net assets are as follows for the years ended June 30:

		<u>Donor-Established Endowments</u>				
	Board- Designated Quasi- Endowments	Accumulated Earnings	Endowment Corpus	Total Donor- Established Endowments	2025 Total	2024 Total
Endowment net assets, beginning of year	\$ 2,796,343	\$ 9,857,464	\$ 45,568,924	\$ 55,426,388	\$ 58,222,731	\$ 50,816,224
Endowment investment return	381,987	7,006,269		7,006,269	7,388,256	7,132,408
Endowment contributions			379,155	379,155	379,155	2,421,911
Appropriation of endowment for expenditure	(111,047)	(3,855,597)		(3,855,597)	(3,966,644)	(2,147,812)
Endowment Net Assets, End of Year	\$ 3,067,283	\$13,008,136	\$ 45,948,079	\$58,956,215	\$62,023,498	\$58,222,731

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-established endowment funds may fall below the total amount of the gifts made to the endowment by the donor. There were no such deficiencies in endowment funds at June 30, 2025 and 2024.

Return Objectives and Risk Parameters - The Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while maintaining the purchasing power of those endowment assets over the long term.

Accordingly, the investment process seeks to achieve a long-term rate of growth sufficient to offset normal inflation, administrative fees, and management fees (if any), plus reasonable, regular distributions within prudent risk constraints. Investment risk is measured in terms of the total endowment; investment assets and allocation between asset classes and strategies are managed to not expose the endowment to unacceptable levels of risk. The distribution portion of endowed funds, as determined by the Community Foundation's spending policy, may be used for grantmaking or community impact investing, subject to the Community Foundation's impact investing policy.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in a diversified asset mix, which includes equity, fixed income securities, and cash equivalents.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 13 - Continued

Spending Policy - The Community Foundation has a policy of appropriating a percentage (5% for 2025, typically 4%) of each endowment fund's average fair value of the prior 12 quarters through the calendar year end preceding the year in which the distribution is planned. No appropriations are made until a fund has been established for 12 quarters. In establishing this policy, the Community Foundation considered the long-term expected return on its investment assets, the nature, and duration of the endowment funds, the possible effects of inflation, and changes in the community needs.

Note 14 - Leases

The Community Foundation entered into a ten-year lease for office space commencing in November 2014 and was renewed for another five years during the year ended June 30, 2025. Total rent expense for the years ended June 30, 2025 and 2024, was \$36,282 and \$35,194, respectively, including in-kind rent of \$10,251 and \$10,557, respectively.

The components of lease expense for the year ended June 30 were as follows:

	2025	2024
Operating lease costs	\$ 11,889	\$ 12,544
Short-term and other lease costs	24,393	22,650
Total Lease Expenses	\$ 36,282	\$ 35,194

Supplemental cash flow information related to leases as of June 30 was as follows:

	2025	2024
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 63,226	\$ -
Weighted-average remaining lease term - operating lease	4.4 years	0.4 years
Weighted-average discount rate - operating lease	4.19%	2.88%
Cash paid for amounts included in measurement of lease liabilities	\$ 13,048	\$ 12,670

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 14 - Continued

Future minimum lease payments required under noncancelable leases are as follows:

For the Year Ending June 30,

2026	\$ 13,438
2027	13,842
2028	14,257
2029	14,684
2030	<u>6,194</u>
Less present value discount	<u>(5,412)</u>
Total Lease Liabilities	<u>\$ 57,003</u>

Note 15 - Pension Plan

The Community Foundation sponsors a defined contribution retirement plan for employees. Employer contributions equal 10% of each eligible employee's compensation after six months and are fully vested after one year of service. Pension contributions for the years ended June 30, 2025 and 2024, were \$122,717 and \$97,746, respectively.

Note 16 - Liquidity and Availability of Resources

The Community Foundation manages its cash to meet general expenditures and grants following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that obligations under donor-established endowments and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Community Foundation.

General expenditures include management and general expenses, fundraising expenses, and some program expenses.

WHATCOM COMMUNITY FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

Note 16 - Continued

Liquid financial assets available for use at June 30:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents (unrestricted)	\$ 7,806,815	\$ 5,312,504
Investments (unrestricted)	76,928,813	64,860,001
Receivables to be collected within one year	<u>255,008</u>	<u>398,250</u>
Less financial assets unavailable for general expenditures due to designations-		
Donor-established endowment funds	(58,956,215)	(55,426,388)
Board-designated quasi-endowment funds	<u>(3,067,283)</u>	<u>(2,796,343)</u>
Total Financial Assets Available for Expenditures Within One Year	<u>\$ 22,967,138</u>	<u>\$ 12,348,024</u>

Administrative fees provide an ongoing source of cash flow for general operations and programs. Fees are assessed to funds monthly, based on fund balance and/or activity. Administrative fees of \$1,235,189 and \$1,126,159 were charged to funds for the years ended June 30, 2025 and 2024.

The table above reflects the Community Foundation's consolidated financial assets. While most of the Community Foundation funds are subject to its variance power, the majority of these funds have specific recommendations identified by the donors, which the Community Foundation intends to honor. In stewarding these assets, the Community Foundation invests the assets with the objective of meeting donors' recommendations as well as their grantmaking time horizons.

Note 17 - Subsequent Events

Management of the Community Foundation has evaluated subsequent events through October 10, 2025, the date on which these consolidated financial statements were available to be issued.

Subsequent to June 30, 2025, on July 28, 2025, the Community Foundation entered into an agreement with a local bank to guarantee a \$1 million line of credit issued to Whatcom Long-Term Recovery Group. The purpose of the line of credit is to support the construction and elevation projects in areas impacted by the 2021 flood in Whatcom County. The line of credit is scheduled to mature on July 29, 2026.